

New Jersey. In Chancery.

Between

Edison United Phonograph Co.,
Complainant

and

Thomas A. Edison, Edison Phonograph
Works, North American Phonograph Co.
et al. (and allied cases.)

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IN CHANCERY OF NEW JERSEY.

Between

Edison United Phonograph
Company,

Complainant,

and

Thomas A. Edison, trading under
the name of Edison Manufacturing
Company, and Edison Phonograph
Works,
Defendants.

BILL OF COMPLAINT.

TO THE HONORABLE ALEXANDER T. MC.GILL,

CHANCELLOR OF THE STATE OF NEW JERSEY.

Humbly complaining shows unto your Honor, your orator the EDISON UNITED PHONOGRAPH COMPANY, a corporation organized under the laws of the State of New Jersey, that Thomas A. Edison was the inventor of what is generally known as the "Phonograph", which invention is more particularly described in Letters Patent of the United States, Number 200,521, dated February 19th, 1878, for an "Improvement in Phonographs or Speaking Machines," and upon and including which invention Letters Patent in many foreign countries have been granted to him, and he was, and remained until the time hereinafter mentioned, the sole and exclusive owner of such patents, patent rights and inventions in all such countries, and among others, in France, Great Britain and Germany.

And your orator further shows that by an instrument in writing, dated March 11th, 1890, the said Edison duly assigned, transferred and set over unto your orator all his right, title and interest in and to the said Letters Patent, except for the United States of America and the Dominion of Canada, but not including the right to use any of said inventions and improvements in or in connection with dolls, toys, toy figures and clocks.

And your orator further shows that by an agreement in writing, made between your orator and the defendant, the Edison Phonograph Works, executed simultaneously with the above mentioned agreement, and dated on the same day, your orator granted the said Edison Phonograph Works the sole and exclusive right in all parts of the world, including the United States and the Dominion of Canada and all other countries, to manufacture for it, and upon its order, for its assigns, agents and licensees, but for no one else, all inventions and improvements appertaining to phonographs, graphophones, phonograph-graphophones, and speaking machines of every kind, and all supplies and appliances especially invented or created to be used with them, described in or covered by the agreements and patents referred to, and the said Edison Phonograph Works thereby agreed that it would not manufacture any of the machines, supplies or appliances, which it was by said agreement licensed to manufacture, for anyone except for your orator, and, upon its order, for its assigns, agents and licensees, and that except as therein provided, it would not manufacture any of said machines, supplies or

appliances, for sale or use in any part of the world except in the United States and the Dominion of Canada; and that it would use its best endeavors, either by agreements or by **suitable marks or otherwise, to prevent any such machines, supplies or appliances, which it should manufacture for sale or use in the United States or in Canada from being sold or used elsewhere.** A printed copy whereof is offered as an Exhibit, marked "Exhibit A", and filed herewith.

And your orator further shows that it has had many phonographs manufactured by said Edison Phonograph Works for use abroad, and that a great number of said phonographs have been used by your orator, or its assigns, in foreign countries for purposes of exhibition for hire, and have received large revenues from such exhibitions.

And your orator further shows that in violation of said agreements, the said Edison and the said Edison Phonograph Works conspiring together have manufactured and shipped for use abroad a number of phonographs in connection with, and which were to be attached to, an instrument called a "Kinetoscopy", this combined instrument being called a "Kinetophone", and the said Edison and the Edison Phonograph Works propose to ship abroad many other such phonographs, to be used in a similar manner. That on the second day of April, 1895, the said Edison and the said Edison Phonograph Works shipped at least one kinetophone to the Continental Commerce Company, of London, England, and as your orator is informed and believes, many other shipments of such kinetophones to various countries, and especially to France and Germany, have

been made, and will be made, in the immediate future.

And your orator further shows that by an instrument in writing, dated the thirtieth day of November, 1892, your orator assigned and transferred its patent rights under said inventions for the Kingdom of Great Britain and Ireland to a corporation organized under the laws of Great Britain for the purpose of acquiring the same, which corporation still is the owner of said rights, and your orator is the owner of one-third of the capital stock of said corporation. And further, by said instrument in writing, your orator, among other things, reserved to itself the prior rights to receive Twenty-three thousand (£23,000) pounds out of the net proceeds to be derived by such British corporation, from the sale or hire by it of the first fifteen hundred (1500) Automatic phonographs in the United Kingdom of Great Britain and Ireland.

And your orator further shows that a large business has already been created in said United Kingdom of Great Britain and Ireland, and that negotiations are pending for the sale of the above mentioned rights in the sale of automatic phonographs. That said shipment and said threatened shipments constitute a serious and grave injury to the rights of your orator, and that as a result of such shipments said negotiations would be broken off, and should further shipments of said phonographs and supplies for the same not be prohibited it will not only be impossible to obtain any return for its said rights, but also your orator's interest in said British Phonograph Company will become valueless. That

if said defendants continue to ship machines, as heretofore, to various foreign countries, exclusive of the Dominion of Canada, in contravention of your orator's rights herein, it will inflict an irreparable injury to and heavy damage upon your orator.

And your orator further shows that the said defendants, while not denying that they are manufacturing and shipping phonographs attached to and in connection with the kinetoscope, for the purpose of use in such foreign countries, insist that the phonographs which they are so manufacturing and shipping for use abroad are in fact manufactured and shipped for use in connection with a toy, within the meaning of the reservation contained in the above stated contract. But your orator charges and insists that the kinetoscope is not a toy within the meaning of such contract, or in any sense of the word, but is an instrument used for business purposes in giving ^{or instruction} amusement to the public for pay, and its use is in that respect entirely analogous to one of the principal uses of the phonograph, for which the right therein was conveyed to your orator; that at the time of the making of said contract, the use of the phonograph in connection with toys had a definite and well understood meaning, and referred simply to the use of small and inexpensive phonographs in connection with dolls or animals, or other small articles, for the amusement of children; and that one of the well understood uses of the phonographs at that time, which was not reserved, was the use of it in connection with exhibitions for the amusement of the pub-

lie or of individuals, and the use for this purpose has been one of the largest and most profitable uses to which it has been put; that the kinetoscope has been and is made and used for the same purpose, and a large business is being built up in the exhibiting of the kinetoscope either to individuals successively, through the automatic cabinet kinetoscope in public rooms where the same is on exhibition, or else in large halls, where the moving pictures are thrown upon a screen in the presence of a large number of persons; that the kinetoscope is an expensive and elaborate machine, and is advertised for sale at the sum of three hundred and fifty dollars, and it is publicly offered to persons who propose to exhibit it and to make money out of the exhibition of it, and a pamphlet publicly distributed, issued by the Kinetoscope Company, sole agents for the United States and Canada, showing the character and purpose of the kinetoscope, and the prices at which it is sold, is filed herewith and marked Exhibit .

And your orator also charges and insists that the kinetophone or kinetophonograph, which is the combination of the phonograph and the kinetoscope, is not a toy, but is also used for the purpose of public exhibitions for revenue, and has been referred to and described in ^a pamphlet issued under the direction of the defendant Thomas A. Edison, and with the approval of an autographic letter of his, printed in facsimile, describing the kinetophone, or kinetophonograph, as an important and valuable invention, and one which would be of great

public interest and value, and the said pamphlet is filed herewith, and is entitled "History of the Kinetograph, Kinetoscope, and Kinetophone," by W. K. L. Dickson and Antonio Dickson, and purports to have been copyrighted by W. K. L. Dickson, in 1895, not only in the United States of America, but also in Great Britain, France, Belgium, Switzerland, Germany, Italy, Denmark and Portugal, and said pamphlet contains a portrait of said Thomas A. Edison and a facsimile of the autograph letter above referred to, and also illustrations showing the character and operation, as well as the results of the use of the kinetoscope, with a description of the kinetoscope and the kinetophone, and their uses and mode of operation; and that the greater part of the article published in this pamphlet was published in the Century Illustrated Monthly Magazine, in New York, for the month of June, 1894, together with a facsimile of the same autograph letter and reproductions of many of the same illustrations, with another portrait of said Thomas A. Edison, and in the said autograph letter attached to said pamphlet and to the said magazine article, Mr. Edison describes the idea of the kinetoscope and the kinetophone in the opening sentence, saying, "In the year 1887, the idea occurred to me that it was possible to devise an instrument which should do for the eye what the phonograph does for the ear, and that by a combination of the two all motion and sound could be recorded and reproduced simultaneously," and he also said "The following article, which gives an able and reliable account of the invention, has my entire endorsement. The authors are

peculiarly well qualified for their task from a literary standpoint and the exceptional opportunities which Mr. Dickson has had in the fruition of the work." And your orator refers to the said article both in the magazine and in the pamphlet for a description of the kinetoscope and the kinetophone, and for an account of the various important uses to which it was proposed to put these instruments, and for a comparison between the uses of them and the uses proposed and adopted for the phonograph.

And your orator further shows that from time to time various accounts of the kinetoscope and kinetophone have been published in the newspapers, many of these publications purporting to be, and no doubt being reports of interviews with Mr. Edison himself, and in these publications it clearly appears that the kinetoscope and the kinetophone were not regarded by Mr. Edison as toys, but as important instruments for public improvement and for commercial enterprise; and a scrap book containing clippings taken from the newspapers, as they appeared from time to time, is filed herewith and marked Exhibit .

And your orator charges and insists that it is plain from an examination of these articles in the pamphlet and in the magazine, and also from the clippings from the newspapers, and from an examination of the machines themselves, and from Mr. Edison's declarations with respect to them, that the phonograph used in connection with these instruments is not being used in connection with a toy, within the meaning of the reservation of the contract; and that in making and shipping the

kinetophone for use abroad, the defendants are doing so in violation of the rights of your orator under its contract.

Forasmuch as your orator can have no adequate relief, except in this Court, where such matters are properly cognizable and relievable, and to the end, therefore, that the defendants may make a full disclosure and discovery of all the matters aforesaid, according to the best and utmost of its knowledge, remembrance, information and belief, and full, true, direct and perfect answer make to all the matters hereinbefore stated and charged; but not under oath, an answer under oath being hereby expressly waived; and especially that they may discover and make known how many phonographs and phonograph supplies they have sold or shipped for use abroad, and to whom, and when and for what prices, and also that the defendants may be decreed severally to account for and pay over the income and profits thus unlawfully derived from the violation of your orator's rights, and may be restrained from making any shipment of phonographs and supplies for and parts of the same in connection with the kintoscope or otherwise, and from making any further shipments for sale or use in any foreign country, except the Dominion of Canada, directly or indirectly, and that upon the rendering of the decree above prayed, the damages your orator has sustained by reason of such violation of its rights, may be assessed or caused to be assessed, and that a provisional or preliminary injunction be issued restraining the said defendants from any further violation of your orator's rights pending this cause, and particularly from making the ship-

ment of phonographs, or supplies or appliances for the same, hereinbefore mentioned, and that your orator may have such other and further relief as the equity of the case may require, and to your Honor shall seem meet.

MAY IT PLEASE YOUR HONOR to grant unto your orator not only a writ of injunction conformable to the prayer of this bill, commanding the said defendants, their servants and agents wholly to desist and refrain from leasing, selling, delivery or shipping any phonographs or supplies for or parts of the same in connection with the Kinetoscope or in the form of the Kinetophone or Kinetophonograph, or otherwise, directly or indirectly, for sale or use in any part of the world except the United States and Canadas, but also a writ of subpoena, directed to the said Thomas A. Edison, trading under the name of Edison Manufacturing Company and Edison Phonograph Works, commanding them and each of them on a certain day to appear and answer unto this bill of complaint, and to abide and perform such order and decree in the premises, as to the Court shall seem proper and is agreeable to equity and good conscience.

A. Q. Keasbey & Sons,

Solicitors

& of Counsel with Complt.

IN CHANCERY OF NEW JERSEY.

Between
Edison United Phonograph
Company,
Complainant
and
Thomas A. Edison, trading under
the name of Edison Manufacturing
Company, and Edison Phonograph
Works,
Defendants.

STATE OF NEW YORK :
CITY AND COUNTY OF NEW YORK : SS:

THEODORE SELIGMAN, of full age, being duly sworn,
on his oath, says that he is the General Counsel of the Edi-
son United Phonograph Company, the complainant in this suit,
and has had charge of its business since its organization;
that he has read the above stated bill of complaint, and that
the said bill is true to the best of his knowledge and be-
lief; and in particular deponent says that said Thomas Alva
Edison entered into a contract with the Edison United Pho-
nograph Company, bearing date the 11th day of March, 1890,
containing the provisions set forth in the bill of complaint,
and that the printed copy, marked as an Exhibit, and filed
with the bill, is a true copy of said agreement, the agreement
itself being now in the possession of the agent of the com-

plainant in England, and of Mr. Edison himself.

That the complainant made a license agreement to and with the defendant, the Edison Phonograph Works, dated on the 11th day of March, 1890, containing the provisions set forth in the bill of complaint, and that the printed copy of said agreement, filed with the bill as an Exhibit, ^{B.} is a true copy of said agreement, the original being in the hands of the agent of the complainant in England, and in the possession of the Edison Phonograph Works, defendant herein.

That deponent, having learned that the defendant Edison Phonograph Works was manufacturing phonographs for the purpose of using them in connection with the kinetoscope in Europe, under the direction of Thomas A. Edison, and being satisfied that this was true, wrote the following letter to the defendants; on April 24th, 1895:

"We hereby serve you with notice of our objection to the sale either directly or indirectly of any phonographs or phonograph parts to Mr. Gladstone or McGuire & Bancus, as we are informed that they are engaged in shipping the same to Europe.

We have also received information that you propose shipping a number of kinetophones, and we object to such shipment as far as the phonographic portion of this instrument is concerned.

You have no right to manufacture or ship phonographs except by order of the Receiver and ourselves. The Receiver is not interested in the kinetophone, and such shipment would only be for use in our territory. We beg to remind you that

the restraining order affecting the shipment of phonographs or graphophones either directly or indirectly to foreign countries is still in force, the disobedience of which would be contempt of court, and if we find that you have made such shipment, in spite of our warning and objection, we shall do our utmost to have the court inflict the fullest penalty upon you for such contempt."

Whereupon Richard N. Dyer, as Counsel of the said Edison and the said Edison Phonograph Works, stated to deponent that the defendant Edison claimed that the kinetoscope was a toy, within the meaning of the above mentioned contract of March 11th, 1890, and that the said Edison proposed to continue shipping kinetophones, and thereupon wrote the following letter: to deponent, on May 15th, 1895:

"With regard to the shipments of kinetophones abroad, I beg to inform you that one of such instruments was shipped April 2, 1895, to the Continental Commerce Co., of London, England. This was the first shipment, as I understand it, and will enable you to commence your proceedings. You can allege such a shipment and the fact will be admitted."

Your deponent further says that the kinetoscope is an invention, which consists of a machine or appliance for the taking of a series of instantaneous photographs of moving objects, and another machine wherein said photographs are mounted and rapidly revolved, so as to reproduce the appearance of moving objects. That the kinetophone is designed to combine this result with the result of the phonograph, by operating this machine synchronously with the phonograph,

so that the phonograph shall record the sounds which accompany the appearance of the moving objects, and shall reproduce the sounds in connection with the reproduction of the appearance of the objects; so that by means of the combined machines, constituting the kinetophone, there can be preserved and reproduced any event to which the combined instrument has been directed.

Your deponent further says that is true that although the complainant has assigned its patent rights under said inventions for the Kingdom of Great Britain and Ireland to a corporation there organized, and that said corporation is still the owner of said rights, the complainant is the owner of one-third of the capital stock of said corporation, and in the instrument of transfer, reserved to itself the prior rights to receive £23,000 out of the net proceeds to be derived by such British corporation, from the sale or hire by it of the first 1500 automatic phonographs in said United Kingdom, only a few of which have been sold or hired there, and that a large business has been created in said Kingdom, and that negotiations for the sale of the above mentioned rights are pending with respect to automatic phonographs, as stated in the bill, and that it is true that the shipment by the defendants of phonographs for use in the United Kingdom of Great Britain, and other foreign countries, and the danger of future shipments, constitute a serious and grave injury to the rights of the complainant, not only as a stockholder in the English Company, but also as owner of the prior rights reserved in the automatic phonograph, and as the owner of phonographic rights, patents and business in

all parts of the world outside of the United States and Canada and that there is great danger that as a result of such shipments, the negotiations above referred to will be broken off, and that if phonographs and supplies can be shipped from this country by the defendants or others, it will be impossible for the complainant to obtain proper value for its patents and patent rights, or to make sales of phonographs, or to lease phonographs at their proper value, or obtain any adequate rental for its rights in said invention in such foreign countries; and this deponent further says that it is true that the said defendants do not deny that they are manufacturing and shipping phonographs to the United Kingdom of Great Britain and Ireland, and other foreign countries.

Sworn to before me this :
: Theodore Seligman.
31st day of May, 1895, :

Witness my hand and official seal,

(L.S.)

Charles Taylor,

Commissioner for New Jersey,

At New York City, New York.

IN CHANCERY OF NEW JERSEY.

Between)
Edison United Phonograph)
Company,)
Complainant,)
and)
Thomas A. Edison, trading under)
the name of Edison Manufactur-)
ing Company, and Edison Phono-)
graph Works,)
Defendants.)

STATE OF NEW YORK. :

CITY AND COUNTY OF NEW YORK : SS:

CHARLES L. MARSHALL, being duly sworn, says that he is a resident of the City of Newark, New Jersey, and that he has been engaged in the phonograph business from July, 1889, down to August, 1894, and that he is thoroughly cognizant with all matters relating to said business, both from his experience and by frequent consultation and conference with other parties actively engaged in the phonograph business. That he was instrumental in placing eight hundred phonographs to the public, and that all of them were used for amusement purposes. These machines were so placed by him under license of the North American Phonograph Company, the New England Phonograph Company, the New Jersey Phonograph Company, the New York Phonograph Company, and the Auto-

matic Phonograph Exhibition Company. That these machines were either used for purposes of entertainment in private houses, or were leased to exhibitors who traveled around the country and showed the same to large audiences, or, in the shape of automatic coin slot machines, were stationed in various places of amusement and in public thoroughfares. That the commercial use of the phonograph throughout the country during the period in which deponent was engaged in the business was, and has been a comparatively small one.

That during the years of 1889 and 1890 deponent had active business relations with the officers of the Edison Phonograph Toy Company, a corporation which owned the phonograph rights of Thomas A. Edison as far as they related to dolls, toys and toy figures, and often gave technical advice to the officers of said company with regard to the manufacture and improvement of phonographs for such purposes. That he was thoroughly acquainted with the purposes for which said Company was formed, and for which their phonographic rights acquired from Edison, limited as above mentioned, were to be used. That the sole use of the phonograph in, or in connection with dolls, toys or toy figures, was the insertion of a minute phonograph in a doll, or some other form of children's toys, such as animals, from which sounds could be expected. That the phonograph manufactured, and intended to be manufactured, for said purpose was a ~~xxxx~~ much simpler and cheaper grade than the standard phonograph, such as was used for amusement and commercial purposes. That the sounds reproduced from said phonographs were low and

indistinct, and such phonographs would have been absolutely inadequate for the general amusement purposes for which phonographs were commonly used. That the employment of this simple and inexpensive machine was the sole aim and intention of the said Edison Phonograph Toy Company.

Sworn & Subscribed this :
fifth day of June, 1895, :
before me, :

Charles L. Marshall.

Frederick W. Keasbey,
(L.S.) Notary Public,

New Jersey.

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AGREEMENT made this seventh day of April, 1898, between
EDISON UNITED PHONOGRAPH COMPANY, INTERNATIONAL GRAPHOPHONE
COMPANY, EDISON PHONOGRAPH WORKS and THOMAS A. EDISON.

WHEREAS, the following suits are pending in the New
Jersey Court of Chancery and in the New Jersey Supreme Court
the deposition of which is controlled by the parties hereto
to wit:-

Edison United Phonograph	:	
Company,	:	
Complainant,	:	
	:	Court of Chancery
and	:	
	:	Docket 3, page 426.
Edison Phonograph Works,	:	
and the North American	:	
Phonograph Company,	:	
Defendants	:	

Thomas A. Edison	:	
	:	New Jersey Supreme Court
vs	:	On Contract
	:	Docket 4, page 3.
Edison United Phonograph	:	
Company,	:	

International Graphophone	:	
Company	:	New Jersey Supreme Court
	:	In Tort
vs	:	Docket 4. page 1.
	:	
Thomas A. Edison.	:	

George E. Gauraud and	:	
Thomas A. Edison,	:	
Complainants	:	Court of Chancery
	:	
and	:	Docket 4. page 63.
The Edison United Phono-	:	
graph Company, Thomas, Coch-	:	
ran, President, George N.	:	
Morrison, Secretary, and	:	
Henry Seligman Treasurer,	:	
and the International Graph-	:	
ophone Company,	:	
Defendants	:	

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Thomas A. Edison and
George E. Gauraud,
Complainants.

and

Edison United Phonograph
Co., Thomas Cochran, Thomas
Dolan, Henry Seligman, D.
Willis James, Henry G. Marquand:
Dorcas O. Mills, Alfred O. Tate:
and John Searles and The In-
ternational Graphophone Company:
Defendants

COURT OF CHANCERY

Docket 4. page 64

Edison United Phonograph Company:
Complainant

and

Thomas A. Edison and Edison
Phonograph Works

COURT OF CHANCERY

Docket 4. page 191

In consideration of the sum of one Dollar, paid by
each party to the other, and the mutual agreements herein
contained, it is hereby agreed as follows:-

1. The above entitled suits now pending in the
Chancery Court of New Jersey and in the Supreme Court of
New Jersey shall be discontinued or dismissed without costs

11. Thomas A. Edison shall pay to the Edison United
Phonograph Company the sum of Two thousand Dollars (\$2,000.)
immediately upon the distribution of the assets in the hands
of John R. Hardin as Receiver of the North American Phonograph
Company.

111. The parties hereto shall themselves execute and
deliver, and shall cause their solicitors in said suits to
sign and present to said Courts the necessary papers for
carrying out the purposes of this agreement.

IV. Edison United Phonograph Company shall withdraw or release its claim filed with John R. Hardin as Receiver of the North American Phonograph Company, and shall consent to the dismissal, without costs to either aparty as against the other, of the appeal from the disallowance of said claim by said Receiver.

SIGNED, Sealed and Delivered, the day and year first above written.

Edison United Phonograph Company,

By Jno. E. Searles.

President

(L.S.) Attest
G. N. Morrison.
Secretary

INTERNATIONAL GRAPHOPHONE COMPANY

By Jno. E. Searles

President.

(L.S.) Attest
G.N.Morrison
Secretary

EDISON PHONOGRAPH WORKS

By Thomas A. Edison

President.

(L.S.) Attest
J. F. Randolph
Secretary

Witness to signature :
: THOMAS A. EDISON.
of Thomas A. Edison :
W.S.Mallory

In Chancery of New Jersey

Between

Edison United Phonograph Company

Complainant

and

Thomas A. Edison, trading under
the name of EDISON MANUFACTURING
COMPANY, and EDISON PHONOGRAPH
WORKS

Defendants.

AFFIDAVIT OF MR. EDISON.

State of New Jersey :

County of Essex : ss. Thomas A. Edison, being duly sworn,
deposes and says as follows:

I have read the bill of complaint
in this case and the affidavits of Theodore Seligman, Charles
L. Marshal and George N. Morison.

In 1888 the North American Phonograph Company was organized
to handle the phonograph business in the United States and
Canada, and in 1890 the Edison United Phonograph Company was
organized to handle that business for all other countries.
The belief was that the great field of usefulness for the pho-
nograph and that which warranted the large capital of these
companies was the employment of the phonograph in business
houses, by professional men, authors and others for dictation
purposes, to take the place of stenographers and furnish cheap
and ever ready apparatus for recording and reproducing dicta-

tion. This was the commercial use of the phonograph, and to developing that use the efforts of the two companies referred to were entirely directed. The use of the phonograph for amusement purposes was considered of little or no value by the promoters of those companies and has always been discouraged by the companies themselves. It was thought to be a use based upon the novelty of the phonograph which would soon pass away, and would be a business too trivial in importance to warrant the serious attention of business men.

In my contract with the Edison United Phonograph Company I reserved the amusement feature of the business. It is perhaps true that that broad idea was not aptly expressed in view of the subsequent development of the business, but our views at that time were that the phonograph would be used for amusement purposes in connection with figures, either pictorial or tangible, and would furnish the words or music, or both, which would properly accompany the figures, and consequently in reserving the use of my inventions and improvements in or in connection with "toy figures" I considered that the ground was adequately covered.

The words "dolls", "toys", "toy figures" and "clocks" all had an independent significance. For clocks, it was always my intention, and had been so stated long prior to the contract in question in various publications, to use the reproducing elements of the full-size phonograph to call out the hours in place of or in conjunction with the ordinary striking of the hours, or to play a tune as the clock strikes, thus replacing the "chimes", or to both call out the hours and play a tune.

The use of the inventions "in or in connection with" dolls is a clearly expressed reservation, covering a doll figure which may enclose the reproducing phonograph directly within itself or the reproducing phonograph may be located in a base upon which the figure is placed, in a doll house in which dolls are arranged, or in numerous other ways.

The reservation of the use of the inventions "in or in connection with" toys was intended to cover a much wider ground. Under this reservation, the reproducing phonograph might itself be made of small size and used as a toy music box or toy-speaker without putting it in relation with other parts, i. e., it might be made as a toy itself, or it could be used either full-size or in miniature in connection with the numerous kinds of toys known at the date of the contract or subsequently produced, and including the multitude of "automatic" or moving toys, some cheap and others costly, the manufacture of which forms a large industry in some parts of Europe.

The reservation of the use of the phonograph in or in connection with "toy figures" was intended to have a still wider significance. The word "toy" was used in the sense of "imitation" or "artificial", as distinguished from "natural". The reservation was intended to cover the use of the phonograph for amusement purposes in or in connection with figures, whether tangible or only pictorial, and of all sizes. My ideas on this subject of a date long prior to the contract under discussion in this case, covered many forms of figures.

One plan I had, was a figure representing the leader of an orchestra swinging his baton and mounted upon a box or base in which the reproducing phonograph is located, the phonograph

and baton being connected together or timed to work in unison. Another plan was a full-size or part size speaking or singing figure with the phonograph located within it or in the base on which the figure stands. Such a figure was to have the jaws and lips move so as to produce a natural effect. I made many experiments looking towards accomplishing this result, by connecting the jaws and lips with a recording point so that as the record of the voice was made on one cylinder, the movement of the jaws and lips would be recorded on another cylinder, and from this latter record the jaws and lips of the figure were to be operated by a suitable mechanical connection. I could mention many ideas I had in this and similar directions, and I have made many experiments to carry them out.

It will be understood that in all these reserved uses, only the reproducing elements of the phonograph are employed. The complete or commercial phonograph has also recording devices, and is designed both to record and reproduce sounds.

In the development of the phonograph business, and within the last two or three years, the use of the phonograph for exhibition purposes has become of importance. For this purpose an ordinary phonograph is provided with a musical or speaking record and a small fee is charged to each person who listens to it, or the phonograph is mounted in connection with a coin-actuated attachment for starting its motor. The latter is known as the "automatic" or "nickel-in-the-slot" phonograph. Although this is a use of the reproducing phonograph which I consider within the spirit of the reservation of my contract with the Edison United Phonograph Company, yet the instrument being used alone and not in connection with any "figure", I have never questioned the right of that company to this use.

The Kinetophone which the complainant seeks to enjoin me from shipping to foreign countries, is the "kinetoscope" with a few parts of the phonograph attached to it so as to enable music to be given accompanying the miniature dancing figures or other movement which the kinetoscope displays. The phonographic attachment is only a fragment of a complete or commercial phonograph, without motor of its own but driven by the motor of the kinetoscope, and having none of the recording devices of the phonograph; it is capable of no other use except to accompany the figures of the kinetoscope. The kinetoscope itself is a mere toy and has always been so considered by me, and by many others, as will appear from the numerous accounts of the device which have appeared in the newspapers. I attach hereto a few of the hundreds of clippings in my possession showing this fact.

The "kinetograph", which is an instrument by which photographs of moving objects can be taken in rapid succession, is a somewhat complicated and delicate apparatus and requires an expert to handle it. That instrument I do not consider a toy. It embodies whatever there is of merit in the entire subject and is a highly useful apparatus.

The kinetoscope, however, is only an improved and perfected zoetrope for displaying the kinetographic pictures. The strips upon which the pictures appear carry a series of photographs of a moving object, each photograph being only three-quarters of an inch long. The kinetoscope moves one of these strips rapidly past the eyepiece of the instrument so that the pictures blend one into the other and produce the impression of continuous motion. This is just what is done in a crude way by the zoetrope. The principal differences between the two, are that the zoetrope is moved by hand, while the kinetoscope has a motor for giving uniform motion, and the pictures in the kinetoscope are more numerous and hence produce a more perfect effect. But these differences are all within the principle of the zoetrope and are such as would naturally be recognized as required to make a good zoetrope. The zoetrope has always been considered a toy. I attach hereto a copy of the description of the zoetrope and of some toys of

of other names employing the same principle, taken from Knight Mechanical Dictionary. The sameness of the kinetoscope and zoetrope has been remarked by the newspaper writers, as will appear by the clippings already referred to. The kinetoscope is no larger than the zoetrope, the pictures of the former being actually smaller than usually employed in the latter.

For the reasons I have given, I have always considered the kinetophone to be within the reservation of my contract with the Edison United Phonograph Company. The kineto-

scope, in connection with which some parts of the phonograph are used to constitute the kinetophone, is a "toy" and is also an instrument for displaying "toy figures" and comes within the field of amusement which I reserved both by the spirit and the letter of the contract.

The statement made in the moving papers that the complainant expects to secure a ^{considerable} ~~liberal~~ amount of money from the sale of automatic phonographs in England by the English Company which owns the rights for that company, and that the sale of kinetophones in England will interfere with that business, I consider disingenuous and misleading. In the first place, the two instruments are not competing instruments, and the sale of kinetophones induces the sale of phonographs rather than prevent it. In the second place, neither the complainant nor the English Company referred to has made any effort to exploit the phonograph for amusement purposes.

Since the date of my contract with the complainant, the complainant has only ordered from the Edison Phonograph Works, fifteen hundred phonographs, and these I am informed and believe have practically all be taken by the English Company. This total number of phonographs was ordered by two orders, the first order being for one thousand and the second order for five hundred machines. These orders were filled in the year 1893 and in the spring of the present year respectively. The first order included two hundred and fifty reproducing phonographs designed for exhibition or amusement purposes, one hundred automatic phonographs for the same purpose and six hundred and fifty commercial phonographs.

Subsequently the English Company ordered from the Edison Phonograph Works the necessary parts to change one hundred of the two hundred and fifty amusement phonographs into machines which would record as well as reproduce.

What became of the one hundred automatic phonographs I do not know, but I have never heard that they were put into use. I have reason to believe they have not been, because the complainant and the English Company have always refused to sell their phonographs although I have repeatedly urged them that that is the proper way to carry on the business, and it has never been possible to carry on the exhibition business by renting machines.

The second order before referred to was, for five hundred commercial machines. Neither the complainant nor the English Company has ordered a single automatic phonograph since the order filled in 1893 for one hundred of such machines. If these Companies had made any proper effort to introduce these automatic phonographs, they could indoubtedly have disposed of several thousand machines. Consequently I consider the reference to automatic phonographs in the moving papers, and the assertion that the sale of kinetophones in England will interfere with the sale of automatic phonographs by the English Company, as disingenuous and misleading.

Another statement of a similar character in the moving papers and made in the same connection, is that at the date of my contract with the complainant, one of the principal uses of the phonograph was for exhibition purposes. The fact is that that use of the phonograph amounted to little or

nothing in March 1890, and has been entirely developed since.

All the rights of the Edison United Phonograph Company in the contract with me so far as it relates to England and all its rights in my English patents, including the manufacturing rights under whose patents formerly held by the Edison Phonograph Works, have been sold and assigned to the English Company. The Edison United Phonograph Company is only a stockholder in that Company. Besides this, it is my belief, based upon facts I have already stated, that the plan of the complainant and the English Company to market automatic phonographs in England has ^{since} long_^ been abandoned. I do not see, therefore, what right the Edison United Phonograph Company has to obtain an injunction against shipping phonographs in any form into England.

Further than this, the sale of kinetophones in England cannot interfere with the business of the English Company.

That Company is not in the business of supplying such instruments itself and is not in position to supply the demand for them.

In closing this affidavit, I wish to state that I consider that the complainant has not ^{equitably} dealt with the Edison Phonograph Works--and myself in the handling of the foreign phonograph business. That company has always refused to sell phonographs and instead of actively promoting a commercial business as contemplated by the contracts has devoted itself to efforts to sell territorial rights. The result has been that the foreign business has amounted to very little.

Besides this the failure to sell machines and properly exploit the business has resulted in the forfeiture of many of my patents in foreign countries. Some of the French patents have recently been decided by the French Court to have been so forfeited. The course which the complainant has pursued has not only resulted in the failure to make profits out of the enterprise, but has greatly reduced the value of the property, which I turned over to the complainant for an interest in its capital stock. Besides, this, I have carried on the Edison Phonograph Works at a considerable loss, in expectation of a large foreign business which I was lead to believe would be secured from the representations of the promoters and managers of the complainant. At the present time the phonograph business of the whole world outside of the United States and Canada is locked up and practically unused by the complainant.

This has not only resulted in serious loss but also in considerable embarrassment to the Edison Phonograph Works, because merchants in foreign countries seeing a demand for phonographs which the complainant refuses to supply, purchase phonographs through dealers in this country; and the complainant erroneously claiming that the Edison Phonograph Works has conspired with others to produce this result and has pursued the Edison Phonograph Works with harrassing and expensive litigation.

Subscribed and sworn to : Thomas A. Edison
before me this 17th day of :
June 1895. :

Rich. N. Dyer

Notary Public

(SEAL) State of New Jersey

United States of America :

State of New Jersey :

County of Essex : I, HOWARD W. HAYES a Notary Public in and for the State of New

Jersey do hereby certify that ~~The~~ foregoing is a true copy of an affidavit ~~made~~ by Thomas A. Edison and now on file in the office of the Clerk of the Court of Chancery of the State of New Jersey.

Witness my hand and official seal this twenty first day of June Eighteen hundred and ninety five at the City of Newark in the County and State aforesaid.

(Seal)

Howard W. Hayes
Notary Public of
New Jersey.

In Chancery of New Jersey

Between	:	
Edison United Phonograph	:	
Company	:	
Complainant	:	
and	:	On Bill &c.
Thomas A. Edison & al.	:	Demurrer.
Defendants	:	

The demurrer of Thomas A. Edison one of the defendants to the bill of complaint of the Edison United Phonograph Company complainant.

This defendant by protestation not confessing all or any of the matters and things in the complainant's bill of complaint contained in such manner and form as the same are there in set forth and alleged doth demur thereto, and also doth demur to ~~As~~ much and such part of the said bill as seeks that this defendant may answer and set forth for what price he has sold and shipped phonographs and phonograph supplies for use abroad and prays that this defendant may be decreed to account for and pay over the income and profits derived from the alleged violations of the said complainants right and prays that the damages that the complainant has sustained by reason of the alleged violations of the complainant's rights may be assessed or cause to be assessed; and for cause of demurrer this defendant shows that it appears that the same ~~is~~ is exhibited against defendant and the other party defendant named therein for distinct matters and cases, in several whereof, as appears by said bill, this defendant is not in any manner into

rested or concerned, and that the said bill is altogether multifarious.

And for further cause of demurrer this defendant shows that the corporation organized under the laws of Great Britain and in said bill referred to as "a corporation organized under the laws of Great Britain", "such British corporation" and said "British Phonograph Company" should be made a party to said bill.

And for a further cause of demurrer this defendant shows that the complainant has not in said bill stated such a case as entitles it in this Court to any discovery from this defendant or to any relief against him as to the matters contained in such bill or any of such matters; nor has it in said bill stated such a case as entitles it in this court to the said discovery above specifically referred to from this defendant, or to the relief above specifically referred to against him, as to the matters contained in said bill.

Wherefore and for divers other good causes of demurrer appearing in the said bill this defendant doth demur thereto and humbly prays the judgment of this Honorable Court whether he should be compelled to make any further or other answer to the said bill or to such part thereof as is demurred unto as aforesaid, and prays to be hence dismissed with his costs and charges in this behalf most wrongfully sustained.

Solicitors of Defendant

Of Counsel.

IN CHANCERY OF NEW JERSEY.

Between	)	
Edison United Phonograph Company	)	
Complainant	)	
-and-	)	ON BILL &c.
Edison Phonograph Works and North	)	Answer of Edison Phono-
American Phonograph Company,	)	graph Works.
Defendant.	)	

The answer of Edison Phonograph Works one of the above named defendants to the amended bill of complaint and supplemental bill of complaint of Edison United Phonograph Company, complainant.

This defendant for answer unto so much of the amended bill of complaint and supplemental bill of complaint of the Edison United Phonograph Company as it is advised is necessary or advisable for it to answer, answering says:

That it admits that Thomas A. Edison was the inventor of what is generally known as the "Phonograph", which invention is more particularly described in letters patent of the United States No. 200,521, dated February 19th., 1878 for an "Improvement on phonographs or speaking machines," and upon and including which invention letters patent in many foreign countries have been granted to him and that he was and remained until the transfer to the said complainant in said bill mentioned the sole and exclusive owner of such patent rights, and inventions in divers foreign countries, including France, Great Britain and Austria.

And this defendant further answering denies that Thomas A. Edison ever transferred any right, title or interest in or to the said patents or any of them to Jesse H. Lippincott or the North American Phonograph Company.

And this defendant further answering admits that by an instrument in writing dated the first day of August,

1888 by an instrument in writing dated the first day of August 1888 Jesse H. Lippincott and the North American Phonograph Company granted, as far as they were able so to do, an exclusive license to this defendant to manufacture phonographs and supplies for sale and use within the United States, and that the North American Phonograph Company by its contract dated August 1st, 1888 covenanted that it would not sell phonographs for use in the countries other than the United States and Canada, nor interfere in any way with the foreign business of said Edison, but this defendant insists that the said covenant is contrary to public policy and in restraint of trade and was and is unlawful.

And this defendant further answering admits that by the said agreement of August 1st, 1888 and a supplementary agreement of October 10th, 1888, the exclusive right to manufacture phonographs for export was confirmed in this defendant.

And this defendant further answering admits that on or about the eleventh day of March the said Edison by an agreement in writing, assigned to the complainant said letters patent in certain foreign countries and the good will of his business in certain foreign countries, and this defendant asks that said contract be produced in this court for greater certainty; but this defendant denies that by virtue of this agreement any right in the said covenant made to the said Edison by the North American Phonograph Company passed to the Complainant, or that said covenant is assignable by the said Edison, and this defendant insists that it was a personal covenant with said Edison and enforceable only by him.

And this defendant further answering says that it admits that on or about March 11th, 1890, the International Graphophone Company granted or attempted to grant to the complainant certain letters patent in foreign countries in rela-

tion to graphophones and speaking machines and the right to make them in this country for use abroad, and this defendant prays that the said agreement may be produced in this court for greater certainty.

And this defendant further answering admits that by a certain agreement in writing the complainant granted to this defendant the exclusive right in all parts of the world to manufacture for it all inventions and improvements appertaining to phonographs, phonograph-graphophones and speaking machines of every kind and all special supplies and appliances therefor, and that in said agreement this defendant agreed that it would not manufacture any of said machines, supplies and appliances (except as in said agreement excepted) which it was by said agreement licensed to manufacture, for any one except the complainant and its licensees for sale and use in any part of the world except the United States and Canada; and that it would use its best endeavors either by agreements or suitable marks, or otherwise, to prevent any such machines, supplies and appliances manufactured by it for use in the United States and Canada from being sold or used elsewhere.

And this defendant further answering says that the complainant has sold all its right, title and interest in said letters patent and said business in the Kingdom of Great Britain and Ireland and the Empire of Germany to corporations organized under the laws of said countries respectively and that it has no interest in the said letters patents in said countries, and that it has no standing in this court to object to the shipment of phonographs or other talking machines or supplies or graphophones to any person in countries other than the United States and Canada, except the complainant, or upon the complainant's order, to its assigns, licensees or agents.

And this defendant further answering admits that at

the time of the exhibiting of the complainant's amended bill of complaint Thomas A. Edison was the President of this defendant and of the North American Phonograph Company, and also was a stockholder in both companies, but this defendant denies that the said companies were under the same management and control and on the contrary, it insists that each of said companies then was and always had been under the management and control of its respective board of directors. And this defendant denies that it ever directly or indirectly made or shipped, or caused to be made or shipped phonographs or graphophones or their supplies to customers in foreign countries; or that it ever made, sold or delivered or conspired to make, sell or deliver such machines or supplies to dealers in the United States of Canada for the purpose of being shipped to foreign countries other than Canada or that it ever encouraged such sales or shipments.

And this defendant further answering says that it has no knowledge as to what effect such shipments would have upon any intended sale of any pretended rights of the complainant, and it denies that it has ever contravened any rights of the complainant or that it has by any breach of contract inflicted any damage upon the complainant.

And this defendant further answering admits that upon the filing of the said amended bill an order to show cause why an injunction should not issue was made with an interim restraining order as set out in said supplemental bill; that the said order was served on this defendant and that a futile attempt was made to attach Thomas A. Edison for contempt; that about that time certain phonographs were shipped to Pitt & Scott in New York City on the order of the North American Phonograph Company; and this defendant shows that the said

phonographs were sold to and billed to the North American Phonograph Company in the ordinary course of business under the contract between the defendant and the North American Phonograph Company, and that this defendant had no knowledge as to where the North American Phonograph Company intended to sell or use the said phonographs. And this defendant denies that it shipped the said phonographs with any knowledge or intention that they should be sold or used elsewhere than in the United States and Canada.

And this defendant admits that before the appointment of the Receiver of the North American Phonograph Company it shipped numerous phonographs to one Miller in the City of New York and to the Kansas Phonograph Company and to one M. Hudson and to James Lewis Young and to one R. M. Leonard and to various other persons and corporations in the United States and Canada, but this defendant shows that all of said phonographs were shipped on the orders of the North American Phonograph Company in the ordinary course of business and were billed to it and that this defendant has never in any way intentionally been a party to the sale or use of any of said phonographs in countries other than the United States and Canada and had no knowledge as to the alleged intentions of the said consignees or any of them.

And this defendant further answering says that it has no knowledge as to the phonographs alleged to have been shipped abroad by the North American Phonograph Company, nor as to the phonographs alleged to have been sold by it to one Douglass for shipment abroad, nor as to any alleged arrangement by Lombard for the sale of phonographs at Antwerp.

And this defendant further answering says that it has no knowledge as to any conversation or arrangements between R. M. Leonard and Mr. Gladstone as to the sale or ship-

ment of any phonographs, and it denies that ~~any~~ phonographs were shipped from its factory with the knowledge on the part of any of its employees that said phonographs were intended for use or sale in France.

And this defendant further answering admits that John R. Hardin was appointed Receiver of the North American Phonograph Company and that the various orders regulating the methods of sales to be pursued by him were made as in said supplemental bill alleged; that since the appointment of said Receiver this defendant on behalf of said Receiver has assembled into phonographs many parts of phonographs belonging to the North American Phonograph Company and has delivered them on his order to the Kansas Phonograph Company, George E. Tewksbury and many other persons and corporations in the United States and Canada.

And this defendant shows that since the said Receiver was appointed it has not manufactured or sold phonographs or phonograph supplies to any person or corporations for use in the United States or Canada except upon the order of the said Receiver, nor to any person or corporations for use abroad except to the complainant or, upon its order, to its assigns, licensees and agents; and that this court by its decree lately made has enjoined this defendant from manufacturing and selling phonographs or phonograph supplies to any person or corporation for use in the United States or Canada except to the said Receiver.

And this defendant further answering says that it has always used its best endeavors, by marks and all other methods requested by the Complainant, to prevent any such machines, supplies or appliances, which it manufactured for sale or use in the United States or Canada, from being sold or used elsewhere; that at the request of the complainant it

attaches to every phonograph manufactured by it for sale or use in the United States a plate stating that the instrument could be used only in the United States and Canada; that such plates now and always have been firmly attached to the Iron frame of the instrument by iron rivets and cannot be removed without great difficulty; which is the mode of attachment that always has been in use.

And this defendant for further answer unto the complainant's supplemental bill shows that the basis upon which this defendant was made a party to the complainant's original and amended bill was the alleged identity in the management and controlling interest of this defendant and the North American Phonograph Company; and that it was not seriously pretended by the complainant that this defendant ever manufactured or sold phonographs or phonograph supplies for any one except the complainant and the North American Phonograph Company; and that as the alleged identity of the management and control of this defendant and the North American Phonograph Company cannot exist since the appointment of said Receiver and as no conspiracy between this defendant and the said Receiver to infringe the rights of the complainant now is alleged, the complainant, on the facts set out in its said bill, is not entitled to any decree for specific performance against this defendant; and as the complainant's right if any to recover damages in this suit is dependent upon its right to the equitable relief of a decree for specific performance, the complainant is entitled to no relief under its said supplemental bill.

And this defendant submits to this Court that all and every of the matters in the complainant's supplemental bill mentioned are matters which may be tried and determined at law and with respect to which the complainant is not entitled to any relief in this court; and this defendant hopes he may have

the same benefit of this defence as if he had decurred to the complainant's said supplemental bill.

And this defendant prays to be hence dismissed with its reasonable costs and charges in this behalf most wrongfully sustained.

Hayes & Lambert

Solicitors of defendant

Edison Phonograph Co.

Howard W. Hayes,

of Counsel.

IN CHANCERY OF NEW JERSEY.

Between
EDISON UNITED PHONOGRAPH CO.
and
THOMAS A. EDISON, et al.

MEMORANDUM FOR DEFENDANTS.

The complainant secured from Mr. Edison an assignment of his patents relating to the phonograph for all foreign countries of the world except United States and Canada, that assignment being coupled with the special reservation that it did not include "the right to use any of said inventions and improvements in or in connection with dolls, toys, toy figures and clocks". The complainant has assigned its rights in Mr. Edison's patents for Great Britain and Ireland to an English corporation. Mr. Edison is charged with having shipped to England a "kinetophone" which is the "kinetoscope" with the reproducing parts of the phonograph connected and operating with it, and ^{complainant} seeks an injunction preventing the further shipment of kinetophones to England or other foreign countries except Canada.

I. The complainant, having assigned its rights for England in the Edison phonograph patents, is not entitled to the injunction. The English company should ask for the relief, if anyone is entitled to it. The complainant pretends that it has an interest with the English company in the sale of automatic phonographs in England, and that the sale of the

kinetophones would interfere with that business. This is a mere pretence, as shown by Mr. Edison's affidavit, because for two years past no effort has been made to market automatic phonographs in England. Besides this, it does not appear just what the arrangement is between the complainant and the English company, and the burden being on the complainant to make out its case, the injunction should be denied. For aught that appears, the arrangement between the complainant and the English company is simply one for the payment of the purchase money by the English company, and only makes the complainant a creditor of the English company and not a party with substantive rights which it is entitled to protect independently of the English company by injunction. Further than this, as appears by Mr. Edison's affidavit, the kinetophone and phonograph are not competing machines, ^{but} occupying distinct fields.

II. Even assuming that the complainant has established its title to the relief, the injunction should be denied because neither the complainant nor the English company is in the business of dealing in kinetophones, and is not in position to supply the trade, as stated by Mr. Edison. This fact is not and cannot be contradicted. Under these circumstances a preliminary injunction ought not to be granted, but the determination of the complainant's rights should be postponed until final hearing.

III. The complainant has not dealt equitably with the defendants in the handling of the foreign phonograph business. It has not attempted to do a commercial business, as provided for by the contracts, but has devoted itself to the sale of territorial rights, which course has resulted in great loss to the defendants. The present attitude of the com-

plainant is that of tying up the phonograph business in foreign countries by means of its contracts and at the same time refusing to do that business itself. Under these circumstances any relief to which it is entitled under the contracts should be postponed until final hearing.

IV. The kinetoscope is a toy, and has always been so considered by Mr. Edison and others. It is of the class of toys known as philosophical toys, being simply an improved zoetrope. (See affidavit of Mr. Edison and attached exhibits; also affidavit of Dr. Morton.) One of the definitions of toy in the Century Dictionary is as follows:

"Something intended rather for amusement than for serious use. A means of diversion; hence especially an object contrived or used for the amusement of children or others; a plaything; also something diminutive like a plaything."

The Century Dictionary defines philosophical toy as follows:

"Any device or contrivance of no practical use which serves to illustrate some fact or principle of natural science in an attractive or entertaining, as well as instructive, manner."

The kinetoscope, while undoubtedly a toy, is also undoubtedly an apparatus for displaying toy figures. (See affidavits of Mr. Edison and Dr. Morton.) This fact is best determined by looking into the instrument itself. The pictures are only three-quarters of an inch long, and the height of the figures is less than that. These diminutive figures are somewhat enlarged by magnifying eye-pieces, but the impression one gets in looking at them, as stated by Dr. Morton, is that they are toy figures. The contention of the moving papers that the reservation in the contract relates only to small and inexpensive phonographs, is not warranted by the contract itself or by the general purpose of the reservation as explained by Mr. Edison. No phonograph has yet been made large enough and loud enough to answer for use in clocks to speak the hours, and that is one of the reserved uses. Undoubtedly a small

and inexpensive phonograph would be a toy in itself, and would come within the reservation without putting it in relation with other parts. But the contract reserves the use of the inventions or improvements (without restriction as to size) "in or in connection with dolls, toys, toy figures and clocks". If the reservation was that the inventions or improvements were to be used only in these other devices, even then the contract would not indicate that a small-sized phonograph was only to be employed. But the broader statement, "in connection with", makes it entirely clear. It is not to be assumed that a trivial right was reserved by the contract. The more substantial right stated by Mr. Edison in his affidavit is the reasonable interpretation. It should also be borne in mind that the contract is one made with an inventor who agrees to assign future inventions, thus covering uncreated devices and contemplating new creations, and it was undoubtedly contemplated that the same inventive ability would be exercised in creating new uses for the phonograph which would be included under the reservation.

RICHARD W. DYER,

Of Counsel for Defendants.

New York, June 18, 1895.

IN CHANCERY OF NEW JERSEY.

Between

Edison United Phonograph
Company,

Complainant,

and

The Edison Phonograph
Works & North American
Phonograph Company et al.,

Defendants.

On Supplemental Bill.

The Clerk in Chancery will please amend the supplemental bill filed on September 19, 1895, by inserting the following clause in the prayer on the last page before the prayer for an accounting: -

"And that the Edison Phonograph Works may be directed and enjoined not to manufacture, except for your orator and upon its order for its assigns, agents and licensees, any phonographs, graphophones or other speaking machines, or phonograph supplies or appliances for sale or use in any part of the world except in the United States and the Dominion of Canada; and also to use its best endeavors either by agreements or by suitable marks or otherwise to prevent any such machines, supplies or appliances which it shall manufacture for sale or use in the United States or Canada from being sold or used elsewhere, and that it may be directed to take agreements from all persons to whom it shall sell such machines, supplies or appliances, providing that they shall not be sold or used in

any part of the world except the United States and the Dominion of Canada, and that the Edison Phonograph Works may be directed to place upon every phonograph, graphophone or speaking machine, and upon all phonograph supplies and appliances which it shall manufacture for sale or use in the United States or Canada, a suitable mark so affixed as not to be removable, declaring that such phonograph, graphophone or speaking machine, and such phonograph supplies and appliances are not to be sold or used elsewhere than in the United States or Canada."

Yours Respectfully,

A. J. Keasbey & Son
Solicitors

Dated October 30, 1895.

IN CHANCERY OF THE STATE OF NEW JERSEY.

Between

The Edison United Phonograph Co.,

Complainant.

and

The North American Phonograph Co., et als;

Defendants.

The answer of John B. Hardin, receiver of the North American Phonograph Company, hereinafter called the North American Company, to the amended bill of complaint and supplemental bill of the Edison United Phonograph Company, hereinafter called the United Company.

1. This defendant for answer to the said bill admits the inventions and patents of Thomas A. Edison of phonographs for speaking machines, as stated in the said bill, and he admits that said Edison transferred all his beneficial interest in the said patents for the United States and Canada to the North American Company, as stated in said bill, and admits that the North American Company about the first day of August eighteen hundred and eighty-eight, constituted the Edison Phonograph Works its exclusive agent in the manufacture of phonographs, and it prays leave to refer, if necessary, to the various instruments and contracts in relation thereto, and this defendant says that the covenants and provisions of the agreement of the first day of August, eighteen hundred and eighty-eight, between Thomas A. Edison, the North American Company, and Jesse H. Lippincott, will sufficiently appear by

a reference thereto, but this defendant admits that certain amendments were made to the said contract, as is stated in said bill, and prays reference to the original agreement for greater certainty.

2. And this defendant further answering says that he believes it to be true that afterwards, and on or about the eleventh day of March, eighteen hundred and ninety, the said Edison executed an instrument in writing with the complainant and also joined in an agreement between the United Company, the Phonograph Works and himself, copies of which are set forth and annexed to the original, amended and supplemental bills, but this defendant prays reference to the original instruments for greater certainty, and this defendant says that the North American Company was not a party to the agreement last mentioned, and was not bound in any wise thereby, and it denies that any interest in, or rights under, the North American Company's contracts mentioned in the first paragraph of this, its answer, were by means of the agreement between the said Edison and the said complainant transferred to the complainant, or that the complainant thereby ~~came~~^{came} into any contract relation with the North American Company, or with this defendant, or that thereby, the complainant came into any relation with the North American Company other than that of owners of patents for the same, or like inventions, the one in the United States and Canada, and the other in foreign countries, but this defendant says that he has been informed that the complainant acquired some so-called foreign rights in the so-called graphophones and the graphophone patents of the International Graphophone Company, but

he neither admits nor denies the same and prays that the defendant be put to its proof thereof, but as to the purpose and object of any contracts, by which any such rights were obtained, or as to the effect and construction thereof, this defendant prays leave to refer to the original instruments when produced.

3. And this defendant further answering says that he does not know, and cannot, therefore, admit, or deny, the allegation in the amended bill that the complainant on the thirtieth day of November, eighteen hundred and ninety-two, transferred its patent rights under said inventions for the kingdom of Great Britain and Ireland, to a corporation organized under the laws of Great Britain, as is stated in said bill, and he prays that the complainant may be put to its proof thereof.

4. And this defendant further answering denies the allegation of the said bill that the said North American Company, on many occasions, since the eleventh day of March, eighteen hundred and ninety, in violation of the complainant's rights, shipped phonographs and phonograph supplies and graphophones, direct to parties in countries other than the United States and the Dominion of Canada, but on the contrary thereof, says that he has been informed and believes it to be true, and therefore charges the truth to be, that in the years eighteen hundred and eighty-eight and eighty-nine, the North American Company had made for it, at the Edison Phonograph Works, over seven thousand phonographs, and that during the same period,

or about the same period, it purchased of the American Graphophone Company five thousand so-called graphophones, and that after that time, it was the sole and absolute owner of the said phonographs and graphophones, and that the same were after the purchase, the absolute property of the North American Company, although they were kept in storage at the phonograph works subject to the North American Company's order, and this defendant says that he has been informed and believes it to be true, that since the month of June, eighteen hundred and ninety-two, when the North American Company began the sale of phonographs and graphophones, the North American Company sold the said machines publicly and as demand arose, to dealers in the United States and Canada, and not elsewhere, and that after the said machines became the property of the North American Company, the Edison Phonograph Works had no control over them and no connection with them, except to keep them on storage, subject to the order of the North American Company, and to make such repairs thereon as might from time to time be ordered by the North American Company.

5. And this defendant further answering says that he does not know and cannot state whether the Edison Phonograph Works and the North American Company were practically under the same management, or control, or not; that he has no knowledge whatever of the names of the officers and directors of the Edison Phonograph Works, but he says that he has ascertained by reference to the books of the North American Company in

his office, that the said Thomas A. Edison was at one time president of the North American Company, and that he has heard that some time prior to the appointment of this defendant, as receiver thereof, the said Edison resigned his said office, and that it appears by the said books that said Edison holds only about ten per cent of the stock of the North American Company, and this defendant prays that the complainant may be put to the proof of the allegations in this behalf made in the said bill, and this defendant says that even if it should be true that the said two companies were practically under the same management as is charged in the said bill, yet he denies that the North American Company was, or would be bound by any contracts made between the said Edison and the complainant, and he says that the complainant and the North American Company simply own patent rights in different territory, and that while the North American Company, and this defendant, as its receiver, is bound as a matter of good faith to refrain from invading the territory claimed by the complainant, or knowingly to aid others in such invasion, yet this defendant denies that he is bound to take any affirmative measures, or expend any time, money, or trouble, or pains, to prevent such invasion by others.

6. And this defendant further answering says that the North American Company, and this defendant as its receiver, was and is bound to carry on the business of selling phonographs within the United States and Canada, in good faith, but that he is not bound to take any affirmative measures

to prevent any infringement of any rights of the complainant by other persons; and that it is the duty of the complainant to prevent the manufacture and introduction of infringing machines in foreign countries, but it never was the duty of the North American Company, and it is not now the duty of this defendant to do so. And this defendant denies that the North American Company, or that he as its receiver, has either caused phonographs, or graphophones, and other supplies to be made, or shipped to customers in foreign countries directly, or have combined and conspired with any person or corporation to make sales and deliver said machines and supplies to dealers in the United States and Canada for the express purpose of being shipped to foreign countries other than Canada, as is charged in the said bill, and this defendant denies that either the North American Company, or he, as its receiver, has ever encouraged any such sale or shipment, in order to promote the interests of said company, or for any other purpose, or that the North American Company, or this defendant as its receiver, has thereby caused any injury to the trade of the complainant and its assigns in the foreign territories claimed by it. And this defendant says that he has no personal knowledge of the sales of phonographs set out in the supplemental bill in this cause to Pitt & Scott, Miller, Tewkesbury, Emerson, the Kansas Phonograph Company, Hudson, Young, and Holland Brothers, or any of the other persons named in that behalf in the supplemental bill, but he admits that he has heard that sales of phonographs have been made to

some or all of these persons, and he prays that the complainant may be put to the proof thereof, but he says that if it should appear that any such sales have been made, that such sales were no violation of any rights of the complainant; that they were made in the regular course of business to persons in the United States, or Canada, who were dealing in phonographs, and were made without any knowledge on the part of the North American Company that the same were to be ultimately shipped to foreign countries.

7. And this defendant further answering admits the allegation in the supplemental bill in relation to his appointment as receiver of the said North American Company, and he admits that by order of this Court, he was made a party to this suit, and that this Court made such orders in relation to the sales of phonographs by him as are set out in said bill of complaint, and he further admits that since his appointment as said receiver, he has sold a large number of phonographs to George A. Towkashury, Victor R. Emerson and to the Kansas Phonograph Company, but he says that these persons and this corporation were to the best of his knowledge and belief, engaged in the business of dealing in phonographs in the United States and Canada, and that in making sales to them of the phonographs which he did sell to them, he did, in every way, comply with the orders of the Court regulating sales of phonographs by this defendant; and he admits the proceedings set out in said bill were taken in this Court for the purpose of enjoining him from making such sales, and

prays leave to refer to the original record thereof. And he says that so long as he is receiver of the said North American Company, and makes sales of phonographs or performs other duties within the scope of the duties of his said receivership, under the orders and directions of this honorable Court the complainants have no right or just cause, to complain of this defendant for anything that he may do in that behalf.

3. And this defendant further answering says that it does not appear by the said bill of complaint that there is any privity of contract between the complainant and the said North American Company, or this defendant, or that there now exists, or ever did exist, any relation of contract between them, or that the several contracts to which the complainant is a party, as is set out in said bill, are in any manner, or to any extent binding upon this defendant, or the North American Company, or that the North American Company, or this defendant, is under any obligation whatever arising out of any of the contracts set out in the said amended and supplemental bills; and this defendant says that the complainant has not in and by this said bill made or stated such a case as entitles it in a court of equity to any discovery from this defendant, or to any relief against him as to the matters contained in the said bill, or any of them; and this defendant prays that he may have the same benefit of this defence as if he had demurred to the complainant's several bills.

All which matters and things this defendant will aver and maintain and prove, and he prays to be hence dismissed with his costs.

Courtois Howell
House of Deft

Newark, N. J., Nov. 8th, 1895.

Howard Hayes, Esq.,
Counsel for the Edison Phonograph Works.
City.

Dear Sir:-

I send you a copy of the amendment I have filed to
the Supplemental bill of the Edison Phonograph Works. I understand
that you have an answer filed before the time for hearing and that
in accordance with your suggestion I have now issued a subpoena.

Yours very truly,

Edward Q. Keasbey

HOWARD W. HAYES.

TELEPHONE No. 952.

GEORGE H. LAMBERT.

LAW OFFICES

HAYES & LAMBERT,

ROOMS 508-511, PRUDENTIAL BUILDING,
765 BROAD STREET,

NEWARK, N. J., Nov 7 1895

Edison United
Phonograph Co

Edison Phonograph
Works & North American
Phonograph Co

Bill filed
Nov. 13 1895
A. Q. Keasbey
Edison - notes

Check in Chex
Trenton, N. J.

Dear Sir:

Was an answer filed in the above cause by the deft.
Edison Phonograph Works? None appears among the original papers
now at the chancery chambers at Newark.

Yours truly

Hayes & Lambert

Alfred H. Lambert

ENCLOSURE

Record.

Between

Edison United Phonograph

Company,

Complainant,

and

George E. Tewksbury, Victor H.

Emerson, United States Phono-

graph Company and Kansas Phono-

graph Company,

Defendants.

STATE OF NEW YORK,

CITY AND COUNTY OF NEW YORK,

:
:
SS:
:

GEORGE N. MORISON, being duly sworn, says that he is the Secretary of the plaintiff corporation, and has been since its organization. That he is acquainted with the relations between the said plaintiff Company and the Edison Bell Phonograph Corporation, Limited, the English corporation which has purchased the patents and patent rights of the said plaintiff for Great Britain; and also knows of the number of machines which said English Company has received from the plaintiff under said contract. Deponent knows that said English Company has not received more than one hundred automatic phonographs, and that it has not sold or hired the fifteen hundred automatic phonographs, for which the plaintiff was to receive, under its contract with said English Company, twenty three thousand

(£23,000) pounds out of the net proceeds.

Deponent further states that the plaintiff company still retains its patent rights for all other countries of the world, including France, to which, as deponent is informed and believes, the said defendants, or some of them, have shipped phonographs, and threaten to ship others.

Sworn to and subscribed
before me a Notary Public
of the State of New York,
in the City of New York, this
6th day of June, 1895,

:
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:
:

G. N. Morison.

B. R. Higgins,

Notary Public,

(L.S.)

Kings County,

Certificate filed in New York City

foreign countries, and the Edison Phonograph Works acquired no right to sell, but only the right to manufacture for the North American Phonograph Company, for use in the United States and Canada, and for your orator for use in all ^{other} parts of the world, and became also expressly bound to your orator not to manufacture for any one else for sale or use in any part of the world except the United States and Canada, and to use its best endeavors, either by suitable marks or otherwise, to prevent phonographs which it should manufacture for sale or use in the United States or Canada from being sold or used elsewhere.

And your orator further shows that on or about the fourteenth day of November, 1893, your orator filed a bill in this Court against the Edison Phonograph Works and the North American Phonograph Company, alleging that the Edison Phonograph Works had manufactured phonographs for sale in foreign countries, and that the North American Company had sold them for use abroad, and that the two Companies, being practically under the same management, combined together to make, sell and deliver phonographs to dealers in the United States and Canada, for the express purpose of being sold in foreign countries other than Canada, and praying an injunction against such sales and shipment of phonographs for sale or use in any foreign country except Canada, whether directly or indirectly, and a temporary restraining order was made against the defendants. Afterwards, while the hearing on the rule to show cause was pending, the North American Company became insolvent, and one John R. Hardin was ap-

pointed receiver of said Company, in a suit brought in this Court by Walter Cutting against the North American Phonograph Company, and thereupon the said John R. Hardin, as such receiver, was made a defendant to your orator's suit, by an order in said suit dated on the twenty-first day of September, 1894, and, at the same time, on the application of your orator, made in the suit in which said John R. Hardin was appointed receiver, an order was made, dated on the twentieth day of September, 1894, a copy whereof is hereto annexed and marked Exhibit "B", by which it was ordered and directed as follows: "that the said John R. Hardin, receiver, in making sales of any phonographs or phonographic supplies or appliances, whether at public or private sale, shall before the delivery of the goods take from the purchaser a receipt, in writing, showing the number of the machine, and the nature and quantity of the supplies and appliances, and also giving notice that such machines, supplies and appliances are sold subject to the provisions and obligations of an agreement, in writing, made August first, eighteen hundred and eighty-eight, between Thomas A. Edison and the North American Phonograph Company and Jesse H. Lippincott, by the seventh paragraph of which it was provided as follows: 'The North American Company shall not sell phonographs for use in countries other than the United States and Canadas, nor interfere in any way with the foreign business of the said Edison. The said Edison is also to have the exclusive right in perpetuity to manufacture phonographs and all supplies therefor, for export.'"

And your orator further shows that the said John R. Hardin, as such Receiver, has continued to make sales of phonographs and phonograph supplies, and your orator is assured by said receiver that in every case he has exacted and received from the purchasers of all phonographs and phonograph supplies a receipt, in writing, in pursuance of the terms of the aforesaid order, and that he has exacted such receipt in all sales made to the Kansas Phonograph Company, hereinafter mentioned.

And your orator further shows that some years ago, about the year 1889, the Kansas Phonograph Company was organized, and was managed until recently by George E. Tewksbury and one S. S. Ott, who had been and is the partner of said Tewksbury in several real estate transactions, and more recently said Tewksbury came East, and in or about January, 1894, acquired control of the United States Phonograph Company, a corporation organized under the laws of New Jersey, for the purpose of dealing in phonographs, with a nominal capital of three hundred thousand dollars, a Company having no contractual relations with the holders of the phonograph patents either for the United States and Canada, or for other countries; and that said Tewksbury became the Treasurer and Victor H. Emerson the President of said Company. That said Emerson had been previously engaged in the phonograph business in New Jersey, and, as your orator is informed and believes, was well acquainted with the contracts above referred to, and with the rights of your orator. That said Emerson and Tewksbury have ever since, either

individually or as officers and agents of said corporations, been carrying on the business of selling phonographs and phonograph supplies, and were carrying on their business in the City of Newark, New Jersey, and, acting on behalf of themselves, or one or both of said Companies, they purchased phonographs and phonograph supplies from the North American Company, and since the appointment of John R. Hardin as receiver, they have purchased a large number of phonographs and phonograph supplies from said John R. Hardin, as receiver, in the name of the Kansas Phonograph Company; and your orator is informed and believes that in making such purchases they have given the said John R. Hardin a receipt, signed in the name of the Kansas Company by S. S. Ott, President, and in one instance in the name of George E. Tewksbury, in pursuance of the order above mentioned, and substantially in the form hereto annexed, and marked Exhibit "C", and the phonographs were delivered at the Edison Phonograph Works, in Orange, to said Emerson and Tewksbury, who sent a wagon to receive the same, and one receipt at least was signed in the name of the Kansas Phonograph Company, by Ott and Tewksbury, Managers.

And, your orator further shows that said Victor H. Emerson and George E. Tewksbury were familiar with the above mentioned contracts relating to the manufacture and sale of phonographs, and were well acquainted with the fact, that the North American Phonograph Company has purchased from the said Edison only the right to sell in the United States and Canada, and had agreed with him not to

sell phonographs or phonograph supplies in other countries and not to interfere with the foreign business of said Edison, and that your orator had the exclusive right to sell phonographs outside of the United States and Canada, and that the Edison Phonograph Works had agreed with your orator that it would use its best endeavors, either by agreement, or by suitable marks, or otherwise, to prevent any phonographs and phonographic supplies or appliances, which it should manufacture for sale and use in the United States and Canada, from being sold or used elsewhere.

And before said John R. Hardin was appointed receiver, your orator's general counsel distinctly informed said George E. Tewksbury that the Edison United Phonograph Company was the owner of all the patents and rights relating to phonographs and graphophones, for all the countries of the world other than the United States and Canada, and requested said Tewksbury not to continue shipping goods to foreign countries. And since the appointment of said John R. Hardin as receiver, all phonographs that have been purchased by the Kansas Phonograph Company, or said Emerson and Tewksbury, have been purchased only after the execution of the receipt as above set forth, and were purchased with the distinct knowledge of the aforesaid agreements, and that the said North American Company and said John R. Hardin, receiver, had no right to sell such phonographs for use or sale abroad, and that the phonographs so purchased were subject to the rights given by the aforesaid agreements, and your

orator's rights, as above set forth.

And your orator further shows that it is informed and believes, that a large number of phonographs were purchased in this way, and subject to this receipt, in the name of the Kansas Phonograph Company, or in their own names, by the said Emerson and Tewksbury, and that a large number of these machines, so purchased, were sold for use in countries other than the United States and Canada, and in such a manner as to interfere with the foreign business which said Edison had transferred to your orator, and that such sales were made by the said Emerson and Tewksbury, either directly or through the United States Phonograph Company, of which they were the President and Treasurer, or through the Kansas Phonograph Company, for which they were acting as agents, and that such sales were made in spite of the notice given by the receiver under the order of this Court, and with knowledge that the phonographs were to be used abroad, and with the intention of obtaining a market to which they were not entitled, and in derogation of the rights of your orator, which were well known to the Kansas Phonograph Company, to the United States Phonograph Company, and to said Emerson and Tewksbury; and the defendants combined together for the purpose of making such sales and profiting at the expense of your orator's rights in the premises, and that they are continuing to make such sales, and threaten to do so in the future; and that at an examination recently held before Herbert Howard Wilson, Esq., British Vice Consul at New York, in an action brought in

an English Court, by the Edison Bell Phonograph Corporation, Limited, ^{the said Tewksbury admitted that} against James E. Hough, ^{after the organi-} zation of the United States Phonograph Company, in January, 1894, ~~the said Tewksbury admitted that~~ he had supplied the said Hough, in London, and other parties in Great Britain, with phonograph machines and supplies, at various times up to the present time.

And your orator further shows that on or about the fourteenth day of September, 1894, the said defendant Emerson shipped a number of phonographs to one Werner, in Paris, France; and that on or about the twenty-first day of September, 1894, the said Emerson shipped a large number of phonographs to one Vifquaim, in Paris, France; and that on or about the twenty-eighth day of September, 1894, the said defendants, or one of them, made a shipment of phonographs and supplies to the Provincial Phonograph Company, in England; and that on or about the fifth day of November, 1894, the said defendants, or one of them, shipped a quantity of phonographic supplies to London, through Pitt & Scott, Shipping Agents for New York and England; and that on or about the tenth day of November, 1894, a large shipment of machines and supplies was made by the defendants, or one of them, either to England or France, through the said Pitt & Scott; and that on or about the sixteenth day of April, 1895, the said defendants, or one of them, made a shipment to London; that these shipments were made either directly from the Edison Phonograph Works, in West Orange, or from the office of said Tewksbury and Emerson, which is also the office of

STATE OF NEW YORK,)
)
CITY AND COUNTY) SS:
)
OF NEW YORK.)

THEODORE SELIGMAN, of full age,
being duly sworn according to law, on his oath saith,
that he is the General Counsel of the EDISON UNITED PHONO-
GRAPH COMPANY, the complainant in this suit, and has had
charge of its business since its organization; that he
has read the above bill of complaint, and that the said
bill is true to the best of his knowledge, information
and belief.

And in truth he says that it is true that the
said Thomas A. Edison was the owner of the phonograph
patents mentioned in the bill, and the improvements re-
lating to said inventions; and that said Edison trans-
ferred his rights thereunder for all parts of the world
except the United States and the Dominion of Canada to
the said complainant, as set forth in the bill; and also
that the North American Phonograph Company acquired the
said Edison's rights and interests in said inventions for
the United States and the Dominion of Canada, as set
forth in the bill; and that by an agreement, dated on the
first day of August, 1888, the said North American Com-
pany agreed with said Edison not to sell phonographs for
use in countries other than the United States and Canada,
or interfere in any way with the foreign business of the
said Edison; and that the rights of the complainant were
acquired from said Edison after the said agreement with

the North American Company, as in the bill set forth, and included all rights acquired by him under said agreement for the protection of his foreign business.

And this deponent further says, that it is true that a bill of complaint was filed against the North American Phonograph Company, to enjoin it from selling phonographs for use in countries other than the United States and Canada, and that pending said suit John R. Hardin was appointed receiver of said North American Company, and was made a party to said suit; and that on the application of your orator, an order was made in the suit in which said John R. Hardin was appointed receiver, directing him not to make sales of phonographs without taking from every purchaser a receipt, and giving notice that the machines and supplies or appliances were sold subject to the provisions of the aforesaid agreement, dated the first day of August, 1888, by the seventh paragraph of which it was provided as set forth in the bill of complaint, and a copy of which order is hereto annexed and marked Exhibit "B".

And this deponent further says that the receipt hereto annexed is a blank form furnished by John R. Hardin as that used by him in making sales of phonographs.

And this deponent is informed in such manner that he believes it to be true, that said John R. Hardin, as receiver, has sold a large number of phonographs and phonograph supplies, which he has delivered to the said Tewksbury upon receipts similar to the receipt above mentioned, signed in the name of the Kansas Phonograph

Company, S. S. Ott, President, and in one instance by George E. Tewksbury; and that such receipts have been delivered to said John R. Hardin by said Tewksbury, and the phonographs have been delivered at the Edison Phonograph Works in West Orange, in a wagon sent for them by said Tewksbury and Emerson.

And this deponent further says that he is informed, and believes it to be true, that the United States Phonograph Company is a corporation which is managed by said Tewksbury and Emerson, said Tewksbury's name appearing as Treasurer on the certificates of stock, and that of Victor H. Emerson as President, and the office being at 87 Orange Street, which is also the office of said Victor H. Emerson and George E. Tewksbury, where they have been carrying on the phonograph business for a number of years.

And this deponent further says that he heard the testimony of George E. Tewksbury, taken in the suit above referred to, before the British Vice Consul, and that on such examination said George E. Tewksbury admitted that since the organization of the United States Phonograph Company, for which he admitted he is engaged, he had sold phonographs to James E. Hough, in London, and that he had shipped phonographs to other persons in England and to other parts of Europe; and also admitted that he was familiar with the terms of the contract made by the North American Company with Thomas A. Edison, by which it agreed not to sell phonographs for use in countries other than the United States and Canada.

And this deponent further says that in a con-

versation between himself and said Tewksbury, either about the end of August or the first of September, 1894, at the office of A. Q. Keasbey & Sons, in Newark, New Jersey, this deponent stated clearly to said Tewksbury that the Edison United Phonograph Company was the owner of all the patent rights relating to phonographs or graphophones for all countries of the world other than the United States and Canada, and requested said Tewksbury not to continue shipping phonographs and phonograph supplies to foreign countries.

And this deponent further says that it is true, as stated in said bill, that the Edison United Phonograph Company has conveyed all of its rights in Great Britain and Ireland to the corporation organized under the laws of that Kingdom for the purpose of acquiring the same; and that said corporation is still the owner of said rights; and that the said Edison United Phonograph Company is the owner of one-third of the capital stock of said corporation, and reserved to itself prior rights to receive Twenty-three thousand pounds (£23,000.) out of the net proceeds to be derived by such British corporation from the sale or hire of the first fifteen hundred (1500) automatic phonographs in the said Kingdom; and that it is true that a large business has been built up in England, and that the complainant has begun to establish a business in various other parts of the world, and that it is greatly injured in establishing such business by the shipment and sale of phonographs from this country, without regard to its rights in foreign countries; and

that such shipments are very injurious to the rights and business of the complainant, and are causing irreparable damage, in preventing the complainant from establishing its business upon a proper footing; and that such shipments greatly imperil negotiations for the sale of rights in Great Britain, and especially those relating to the automatic phonographs.

*Subscribed and sworn to before me
this 31st day of May 1901
at New York City, New York.*

Charles Taylor

*Commissioner for New Jersey
at New York City, New York.*

IN CHANCERY OF NEW JERSEY.

Between

Edison United Phonograph

Company,

Complainant

and

George E. Tewksbury, Victor H.

Emerson, United States Phonograph

Company

Defendants.

STATE OF NEW YORK

CITY AND COUNTY OF NEW YORK

SS:

ROBERT M. LEONARD, being duly sworn, says that on November 5th, 1894, he went to Newark, New Jersey, and called at the office of the United States Phonograph Company, at No. 87 Orange Street, in said City, and there met Mr. George E. Tewksbury, one of the defendants in the above entitled action. That he purchased certain phonographic supplies from the said Tewksbury, which he stated that he wished to have shipped to London, England, and that said Tewksbury sold him the supplies and shipped the same for him ^{to England} by Pitt & Scott, who do an express business between New York and Europe. That said Tewksbury told deponent that all goods shipped to Europe by him were shipped through said Pitt & Scott, as he had an arrangement with them by which these goods could be shipped in order to avoid trouble. That his arrangement was to mark the cases containing the goods with only the initial of the

consignee in a diamond, and to ship the goods by the Wells & Fargo Express to the said Pitt & Scott, in New York, and to write a letter to said Pitt & Scott, instructing them to send the bill of lading to the purchaser, and also giving the names of the parties in Europe to whom the goods were to be delivered.

That subsequently deponent purchased other phonograph supplies from said Tewksbury, which were likewise shipped to Europe by said Tewksbury in a similar manner.

That deponent visited the said Tewksbury a third time, at his said place of business, in Orange Street, Newark, on the 7th day of May, 1895, and, in response to an inquiry of deponent's, the said Tewksbury stated that he would sell and ship to Europe for deponent phonograph bodies and supplies, which said Tewksbury stated came directly from the Edison Phonograph Works, and the said Tewksbury further ^{to deponent} stated that he was in the habit of shipping phonographs and supplies to Europe which he had obtained from the Edison Phonograph Works, and stated that he had two agents in Paris, whose names were Werner and Vifquain, to whom he was constantly sending such phonographs and supplies, and said Tewksbury qualified his statement as to the receiving of phonographs and supplies from the Edison Phonograph Works by stating that owing to some trouble he was obliged to obtain all his goods from said Edison Phonograph Works through the intervention of the Receiver of the North American Phonograph Company, and that he was making a shipment to Paris of such

goods that week, and would ship any order of this deponent's with them.

Sworn to before me this :

24th day of May, 1895.

*witness my hand and official seal-
at new york city. N.Y.*

Robert McLean
Charles Jaylor

*Commissioner for New Jersey
at New York City. N.Y.*

State of New Jersey :

County of Essex : ss. George E. Tewksbury being duly

sworn upon his oath says: I am the Treasurer of the United States Phonograph Company. I was formerly Vice President and a Director of the Kansas Phonograph Company, but resigned from both offices more than a year ago. Since that time I have had nothing to do with the business of the Kansas Phonograph Company. I know hardly anything about it. I have nothing to do with its business, its policy, or its resources. I formerly was a partner of Simon S. Ott of Topeka, Kansas composing the firm of Ott & Tewksbury. Our firm were General Managers of the Kansas Phonograph Company. After I resigned from its Vice Presidency and left the West, the firm name of "Ott & Tewksbury, Managers" was retained for business reasons only, so as not to disturb the subsisting relations between the company and the public. Mr. Ott is the sole Manager of the Kansas Phonograph Company,

The Kansas Phonograph Company is a corporation and in in the Fall of 1888 it received from The North American Phonograph Company a license to use and sell phonographs. I have read over the affidavit of Robert M. Leonard. I do not recall the circumstance as I talk to a large number of persons at the company's office every day on such subjects: I have no doubt that if he asked me, I told him we would sell him phonographs and would ship them to Pitt & Scott, who are shipping merchants. I find on reference to our books that the goods were sent to Pitt & Scott at New York via Wells, Fargo & Cos. Express from Newark. I am positive, however, that I

did not tell him that they would be marked with a symbol instead of a name to avoid detection in case they were to be shipped abroad. That plan of marking is the ordinary method pursued in shipping goods. It is untrue that we have or had any special arrangements with Pitt & Scott. While I don't remember it I probably told him that the phonograph bodies and supplies that he wanted would come from the Edison Phonograph Works as that was the truth. They are manufactured there. But I never told him that they came direct from the Works in the sense that they were shipped directly from there. I did not tell him that we had any agents in Paris. We neither have nor ever had any agents there. The two names he mentions are merely customers of the company.

In regard to Pitt & Scott sending the bill of lading directly to the consignee, I would state that it is often customary for shipping agents to forward one bill of lading directly to the consignee in order to save the time consumed by sending it to the ~~consignor~~ for him to send. The consignee cannot get the goods until he gets the bill of lading.

The statement that any goods for Leonard, or anybody else, could go forward as a part of another man's order is obviously untrue on the face of it, unless such customer was acting as agent for the other. I never made such a statement.

I have been familiar with the general situation in phonograph matters for many years. While I have not inspected the original documents and papers, my information is in regard to what are matters of general knowledge. The Edison patent No. 200,521 expired in February 1894 at the time the English patent founded on it expired.

All the basic foreign patents have expired. That leaves the general manufacture of phonographs open to everyone. The existing patents both in this country and abroad cover only improvements and modifications of the original machine. All the existing French phonograph patents assigned by Edison to the Edison United Phonograph Company have lately been declared invalid by the Court at Paris. I have a copy of the decision and (translated) it is as follows:

"March 20 1895

11th Chamber

Edison's Phonograph and ~~other matters~~.

Whereas the Edison United Phonograph has started proceedings for infringement against M. Michel Verner and others of 85 Rue Richelieu.

And whereas the said Company acts as the owner of the patents taken in France by Edison in October 10th 1888, and December 6th 1889 for improvements on phonographs, and claims that apparatus exactly similar to those described in the patents aforesaid have been unlawfully exhibited, sold and used by the defendants in France, and that as compensation for damages sustained the said Company claims, in addition to the penalties provided by law, damages to be fixed by the state.

Whereas from the papers in the case it appears that Edison, after having organized under the name "Edison Phonograph Works", a company to which he granted the monopoly of manufacture for America and Canada, established in February 1890 the plaintiff company in this case and gave to them the right to manufacture sell and exploit in all other countries.

And whereas the defendants acknowledge all these facts and do not deny the validity of the patents spoken of; nor the similarity of the apparatus found in their hands, with those patented; but they set up the forfeitures which the Edison United Phonograph^{Company have} incurred for lack of *exploitation* according to the terms of Art 32 of the law of July 5th, 1844;

Whereas the plaintiff does not deny that it has been inactive during two consecutive years, but it maintains that it had been prevented by causes beyond its control, especially the poverty of its pecuniary resources, the lack of sufficient improved tools necessary for the manufacturing of an instrument so delicate as the phonograph, the manifest bad faith of the Edison Phonograph Works in ignoring the obligation to lend its aid to its licensee.

Whereas the Edison United Phonograph Company does not deny that the exploitation required by law means the manufacture itself; but it relies upon the helplessness to which it was reduced by lack of capital, and the unsuccessfulness of its active efforts to procure it.

Whereas this excuse will not be accepted by the Court, since the situation in our opinion is not that of an inventor prevented by his ~~property~~ poverty or other specific difficulties from pushing his discovery; but of an organized company with a view of speculation, which has weighed its means of action, and could foresee the consequences of its inactivity and since if at first it could not establish ^{large} ~~large~~ works like the other American companies with which Edison had been identified; by applying to other French manufacturers, it could have provided for the construction of a sufficient number of

instruments, to avoid the forfeiture, and since it has, in fact, caused some of them to be made under those circumstances and since it is to be supposed that if it has limited itself to this too restricted production it must have been that by an erroneous interpretation of the law that it thought to maintain its rights by showing at long intervals this pretence of manufacture.

Whereas, under these circumstances the unsuccessful negotiations had during the last months of 1891 with prominent capitalists was not a sufficient fulfillment of the real exploitation to which the inventor or his assignees were bound.

Whereas among the documents produced there is a contract of license of March 11, 1890, between the Edison United Phonograph Company and the Edison Phonograph Works.

And since according to this agreement the latter company reserved to itself the monopoly of manufacture wherever the Edison United Phonograph should be established, and it imposed on the other party the corresponding obligation of establishing manufactories in the countries, the laws of which require for the maintenance of an exclusive right, the manufacture in such territory.

Whereas it was for the petitioning Company to demand from its assignor the strict fulfillment of its engagements, so as to insure the exploitation of the patents.

Whereas it is true, that it is insisted that Edison and the Edison Phonograph Works have have acted with marked bad faith towards the plaintiff, and that it has been compelled to begin a suit which is now pending before ^A ~~The~~ Justice of the United States;

But, whereas from the documents produced in favor of this assertion it is evident that if a suit was begun at the tardy date of 1893, there was another object, the damage is alluded to, and it had no other aim than to redress the wrong committed by Edison and his assignees in sending abroad phonographs which properly could not be sold except in America and Canada;

Whereas the Edison United Phonograph Company does not justify, nor even allege, to have demanded from the Edison Phonograph Works to furnish them, according to the stipulations of the contract, the instruments necessary to exploit the business, and that in default of this the plaintiff could not consider itself free from contractual engagements, and authorized to treat with other persons in regard to the same.

Whereas it has in consequence incurred their penalty referred to by art. 32 of the law of July 5, 1844, and that it has no right to bring these proceedings before this court

Therefore

The defendants are absolved, without cost;

And the Court declares null and void the seizures practiced; that they were made without authority of law; and orders the restitution of the goods seized.

The United Company is condemned to pay costs."

~~All the existing French phonograph patents assigned by Edison to the Edison United Phonograph Company have lately been declared invalid by the Court at Paris. I have a c~~

The English patents have been in suit and it has been decided in the English Courts that the present style of Phonograph with slight modifications is not an infringement on the

English patents. The modifications necessary do not substantially change the instrument. Such phonographs are advertised openly in London as not infringing any patents. *Phonographs of standard type are openly manufactured in Germany.*

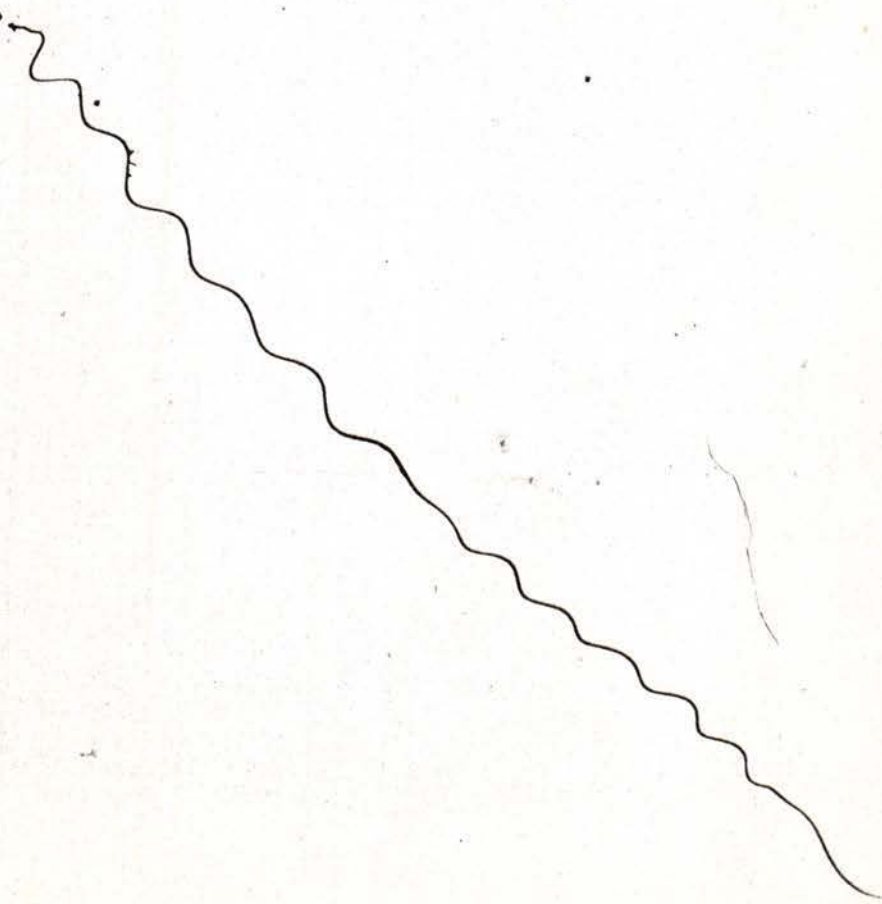
The statement in the complainants bill as to the contents of the contract of March 11, 1890 is not correct. That contract merely assigns to the complainants all Edisons right, title and interest in his foreign patents. There is no transfer of business or good will in regard to the patents and it attempts only to define the rights of the parties during the lifetime of the patents. The only transfer of good will is in the tenth clause which provides "It being intended ^{by} for the first party, as regards all countries covered by this agreement, in which there are no patent laws or other authoritative governmental protection for inventors, to transfer and assign to the second party herein his good will relating to all of his inventions covered hereby". Other contracts as to the manufacture were made at the same ^{time} all based on the patents with no reference to any existing or contemplated business. The contract of August 1, 1888 was one of several agreements made by Mr. Edison at or about that time in regard to the same subject matter looking toward the exploitation of his phonograph inventions. They were all part of the same general transaction. They granted rights and imposed restrictions for the lifetime of the patents. They were designed to define the rights of the parties under and during the life of the patents and not thereafter. The patents having expired the general public has the right to manufacture and sell the instruments and the restrictive covenants are no longer in force. In Holland and Turkey there are no patent laws and

consequently no phonograph patents. A considerable phonograph business is now done in Holland but none by the Edison United Phonograph Company. Mr. Edison has never transferred to the North American Company his American Phonograph patents some of them are the property of the Edison Phonograph Company, and he holds the others still. The \$500,000. mentioned in the ninth clause of the contract of August 1, 1888 was never paid to Edison and that contract has no validity.

I am informed and believe that the contract between Mr. Edison and the Edison United ^{Phonograph Company} was made for the purpose of introducing the phonograph to the public. It is a fact of common knowledge, and of personal knowledge to me, that the Edison United Company is and has been endeavoring to make a stock jobbing operation of the transaction. This is contrary to the long promised design of Mr. Edison, and the agreement with Mr. Edison. One of the officers of the Edison United Company Mr. Seligman stated to me on one occasion that they preferred to sell out their rights even at this late day, as they believed they could make more money out of the scheme by that course, and that they did not care to prosecute the legitimate business of introducing machines. This is of common notoriety in the phonograph world. In my conversation with Mr. Seligman referred to in his affidavit he did not suggest that the Edison United Company had any right to stop the United States Company from shipping phonographs abroad. When the contracts of August 1, 1888 and March 11, 1890 were made there was no business whatever being done abroad in phonographs or phonograph supplies.

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Ever since they obtained their contracts from Mr. Edison they have pursued the policy of trying to sell territorial rights in foreign countries. Until lately they have never tried to sell any phonographs there, and have only disposed of their rights in one country, namely Great Britain and Ireland. In all the rest of the world they have done no business whatever and have no organization or agencies for doing the business. There is a considerable public demand for phonographs in Europe, but they have taken no steps to fill it. They, on the other hand, have for many years entirely refused to supply that demand. The offers to sell phonographs which they have lately made have been at prohibitory prices; in some cases at more than ten times the market price. It is understood in the trade that these offers of sale were not made with a view to creating a market for the goods, and my information in the matter is to the effect that the sales have amounted practically to nothing and that the offers made were made in Great Britain only.



The Edison United Phonograph Company once obtained an order on Mr. Hardin the Receiver of the North American Company which would have accomplished the purpose^{of this suit}. It compelled purchasers from the Receiver to make specific agreement not to sell for use abroad and not to sell to others for sale or use abroad. But it was obtained ex parte from Vice Chancellor Van Fleet under a misunderstanding as to the contractual relations between the parties, and was soon after modified by him so that as it now stands it amounts merely to a notice of the existence of the contract of August 1st, 1888. The present action is an attempt to accomplish by suit against the purchaser what could not be accomplished by suit against the seller.

At the conclusion of Seligman's affidavit he states that our business is preventing the complainant from establishing its own business on a proper footing etc. Elsewhere he says that the Edison United Company acquired its alleged rights in 1890. It can hardly be said that a business which has been in existence only the last year of the five that have since elapsed, could have^{had} anything to do with the failure of the Edison United Company to establish its business during the four years that preceeded.

Sworn to and subscribed this :

18th day of June A. D. 1895 :

before me at Newark, N. J. :

F. B. Stewart
Notary Public
of New Jersey

State of New Jersey :

County of Essex : ss. George E. Tewksbury being duly ~~sworn~~
^{on his oath} sworn, says; since making my former
affidavit in this case I have ~~learned~~ ^{as} learned from Mr.
Edison's statements under oath that neither the English Phono-
graph Company nor the Edison Phonograph Company have made any
effort to exploit the phonograph for amusement purposes and
that the Edison United Phonograph Company have purchased al-
together from the Edison Phonograph Works only one hundred
automatic phonographs, and that those were bought in 1893.
Mr. Edison's opinion on the matter as appears from sworn state-
ments appears that ~~if~~ the ~~English~~ plan of the complainant and
the English Company to market automatic phonographs in England
has long since been abandoned. Mr. Edison further states and
his statement is ~~is~~ in accordance with the facts as they are
generally understood in the phonograph world, that the Edison
United Company has always refused to sell phonographs and inste-
ad of actually promoting a commercial business as contemp-
lated by the contract made with him has devoted itself to
efforts to sell territorial rights; that the result has been
that the foreign business has amounted to very little; and
that the phonograph business of the whole world outside of
the United States and Canada is locked up and kept unused by
the Edison United Phonograph Company; and that ~~the~~ ^{for} such
failure to sell machines and properly exploit the business
has resulted in the forfeiture of many of the ^{foreign} phonograph ~~patent~~
patents;

I would further state that the United States Phonograph
Company has never sold but six phonographs that were arranged

so as to be operated automaticly by English coins. Those
were sold to the complainants.

Sworn to and subscribed this
21st day of June A. D. 1895
before me at Newark, N. J.

Alon E. Quibben

L. B. Stewart
Notary Public
N. J.